



## U.S. FISH AND WILDLIFE SERVICE TRANSMITTAL SHEET

PART 417 FW 1-6	SUBJECT Audits: Policies and Responsibilities; Planning; Conducting and Reporting on Audits; Audit Resolution; Appeals; Single Audit Act Report Resolution	RELEASE NUMBER 454
ORIGINATING OFFICE Division of Federal Assistance		DATE 08/23/2004

### EXPLANATION OF MATERIAL TRANSMITTED:

This release establishes Part 417 (Federal Assistance Audits) of the Fish and Wildlife Service Manual. It establishes policy and responsibilities for grantee audits, defines terms associated with audits, and provides an overview of the audit process. The policy describes audit planning and provides procedures for conducting audits and reporting on them. It establishes policy and procedures for tracking audits, resolving findings, implementing recommendations, and making appeals about findings or corrective actions. The policy also describes how to resolve findings and implement recommendations from audits under the Single Audit Act.

  
DIRECTOR

### FILING INSTRUCTIONS:

Remove:

None

Insert:

417 FW 1, 08/23/04, FWM 454  
417 FW 2, 08/23/04, FWM 454  
417 FW 3, 08/23/04, FWM 454  
417 FW 4, 08/23/04, FWM 454  
417 FW 5, 08/23/04, FWM 454  
417 FW 6, 08/23/04, FWM 454

**FISH AND WILDLIFE SERVICE  
AUDITS**

**Audits**

**Part 417 Federal Assistance Audits**

**Chapter 2 Planning Audits**

**417 FW 2**

**2.1 What is the purpose of this chapter?** This chapter describes audit planning. See 417 FW 1 for authorities, responsibilities, and definitions. Other chapters in Part 417 establish policy and procedures for conducting audits and audit reporting, resolution, and appeals.

**2.2 What is audit planning and why do it?** During the audit planning phase, the auditor, in conjunction with the Service and the grantee, identifies the scope of the audit, the audit schedule and milestones, the personnel who will conduct the audit, points of contact, logistical requirements, issues of potential concern, and the detailed steps for conducting the audit. The scope of the audit includes the financial and program elements, time period, and locations the audit covers. Audit planning helps to ensure that we have a nationally consistent, effective, and timely audit process.

**2.3 What are the key coordination steps in audit planning?**

**A. Engagement Letter.** The auditor is responsible for notifying a grantee of a pending audit. The auditor sends an engagement letter to the grantee, with a copy to the Regional Director or Manager, California/Nevada Operations Office (CNO), approximately 90 calendar days, or as negotiated with the grantee, before the audit entrance conference. This letter informs the grantee of the audit objectives, the audit period, the key program elements being audited, the information and documents the grantee must make available, and the logistical needs for conducting the fieldwork.

**B. Grantee's Reply to the Auditor's Engagement Letter.** Within 45 calendar days of receiving the auditor's engagement letter, the grantee will acknowledge receipt in writing and provide any information that is available at the time. The grantee also notifies the auditor of any information that is not available and estimates when it might become available, or explains why it cannot be provided. Auditors should review data before arriving on site to ensure a more timely and efficient on-site audit with minimal disruption of the grantee's normal operations.

**C. Pre-Audit Coordination Meeting.** The auditor schedules a pre-audit coordination meeting with the Regional Director/CNO Manager and Regional/CNO Federal Assistance staff. The purpose of the meeting is for the auditor to become familiar with grants that were active during the audit period and for the Service to discuss specific concerns. The Regional/CNO Federal Assistance staff may solicit grantee input before this meeting.

**D. Coordination with State Auditor.** The auditor contacts the audit agency or group that performed the

statewide audit or agency-specific audit to obtain access to audit work papers. The auditor reviews prior audits of the grantee's program to aid in identifying issues to evaluate, obtain a general understanding of the grantee's accounting and internal control systems, and avoid duplication of effort.

**E. Auditor Review of Past Audit Findings.** Using Government Auditing Standards, the auditor is required to review corrective actions from prior audits to determine if the grantee has implemented them or if additional actions are needed.

**2.4 What can the scope of an audit include?** The scope of an audit may include one or more of the following components:

**A.** A financial compliance component to determine if:

(1) A grantee properly conducts financial operations.

(2) Financial reports are submitted in a timely manner in accordance with established due dates and conform with generally accepted accounting principles.

(3) Operations comply with applicable laws and regulations.

(4) Expenditures reported by the grantee were eligible, approved, allowable, and allocable to accomplish the objectives in the approved grant.

**B.** A component to determine whether or not the grantee accomplished the work or objectives approved in the grant.

**C.** An economy and efficiency component to determine whether or not the grantee efficiently and economically managed resources, e.g., personnel, property, space.

**2.5 Who determines the scope of an audit?** The auditor determines the scope of the audit. The auditor consults with the grantee and the Service, and supplements and builds on other audits of the grantee, to set the scope of the audit and identify the depth and coverage of the audit work. Reports issued by the Office of Inspector General (OIG) will address only the initial 2-year period unless there is some extraordinary finding. This 2-year period applies to the audit period itself and does not eliminate Service responsibilities for general oversight of the Federal Assistance Program outside of that timeframe. The auditor may use previous audits or other information from outside the audit period as a reference to improve the effectiveness and efficiency of the audit.

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**Chapter 2 Planning Audits**

**417 FW 2**

**2.6 Will the audit be limited to a 2-year period? Yes.**

All reports will be limited to addressing the 2-year audit period unless there is some extraordinary finding. To be considered extraordinary, a finding must involve: (1) fraud, (2) direct and material illegal acts, or (3) noncompliance that could result in exclusion from further participation. With the exception of a fraud investigation, expanding the audit period to investigate extraordinary findings requires the express written approval of the Director. Justification for requesting an expanded audit period must address the following elements: criteria, condition, and effect (measure of consequences) of the finding. The audit period may be expanded to include all unaudited Federal funds and license fee revenues.

**2.7 Will the grantee be notified of an expanded audit? Yes.**

The Regional Director/CNO Manager promptly notifies the grantee in writing of a change in the period being audited. The notification will include the reason for the change.

**2.8 Can a grantee appeal the scope of an audit? No.**

An audit is an independent examination of the grantee's Federal Assistance Program. However, the grantee may contact the Regional Director/CNO Manager if the grantee has a concern about the programs or activities being audited that have no relation to the Federal Assistance Program.